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Review of the World Situation as it Relates to the Security of the United States

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SECRET

REVIEW OF THE WORLD SITUATION AS IT RELATES TO THE SECURITY OF THE UNITED STATES

SUMMARY

1. The conspicuous absence of any spectacular Soviet reaction to the Communist defeat in Italy may reflect the lack of any positive plan suitable for use in the circumstances, but more probably is calculated to achieve a psychological effect (infra, para. 1).

2. As the result of a series of developments culminating in the loss of the Italian election the Communists have lost their former influence and control over Western European organized labor (infra, para. 3).

3. A primary objective of current Soviet policy must be to regain the confidence of the workers. This purpose requires abstention from political strikes, disorder, and threat of war. In these circumstances Soviet initiative in Europe is restricted to Germany and Greece (infra, para. 4).

4. Soviet policy in Germany is apparently directed toward long-range objectives rather than an immediate and violent decision (infra, para. 8).

5. The USSR has yielded the initiative in Greece, for the time being at least (infra, para. 11).

6. Civil war on a major scale is already in progress in Palestine. Early intervention by the regular armies of the Arab States is highly probable, as is Soviet support and infiltration of the Jewish state (infra, para. 12).

7. Iran is currently being subjected to strong Soviet diplomatic and psychological pressure (infra, para. 13).

8. A critical political situation in China affords the USSR diplomatic as well as military opportunities (infra, para. 15).

9. In Korea the USSR has created a political situation highly favorable to its purposes (infra, para. 16).

10. The Bogotá Conference has revealed profound differences between the United States and the Latin American republics (infra, para. 19).

11. The disturbances which interrupted the Bogotá Conference are more properly attributable to local tensions than to international Communist conspiracy. These tensions are not peculiar to Colombia, but are common throughout Latin America (infra, paras. 20 and 21).

Note: This review has not been coordinated with the intelligence organizations of the Departments of State, the Army, the Navy, and the Air Force. The information herein is as of 10 May.

SECRET

1

S E C R E T

REVIEW OF THE WORLD SITUATION AS IT RELATES TO THE SECURITY OF THE UNITED STATES

GENERAL

1. REACTIONS TO THE ITALIAN ELECTION.

But for the dramatic international support received by the Italian Government in the last stages of the electoral campaign the result of the Italian election might well have been different, yet the conspicuous absence of any spectacular Communist reaction to that defeat casts an impression of unreality over the recent excitement. This matter-of-course Soviet attitude may reflect a lack of any positive plan of action suitable for use in the circumstances as they unexpectedly developed. More probably it is calculated for psychological effect.

Even before election day the USSR conceded Communist defeat by flatly rejecting Western proposals to return Trieste to Italy. No explanation for this apparently gratuitous blow to the Communist campaign is evident unless it be a desire that the Kremlin's decision not seem a spiteful reaction to defeat and so a sign that it hurt. On election day the Italian Communist partisans "went to the mountains" as though they meant business, but three days later they had the word from Moscow and came quietly down again. The USSR's only post-election communication to the Italian Government has been that indeed it would be pleased to discuss a commercial agreement on terms more favorable to Italy than might have been expected.

But, if international tension has eased, there is ferment within the Italian Popular Front, where non-Communists are disillusioned about Communist leadership and are disposed to break away, while even the Communists may be human enough to blame their failure on the Kremlin. Thus Italian Communists, like those in France and Greece, may have come to resent the tendency of the planners in the Kremlin to reject their advice, project them into impossible situations, and then let them down.

The Communist defeat in Italy is, of course, a relief and encouragement throughout Western Europe. The news was not good, however, for two picturesque political figures, Francisco Franco and Charles DeGaulle. They are alike in that each requires for his justification an imminent Communist menace. Franco being in power, an initiative is required to put him out and none is in immediate prospect, although there is now a better chance for the many discontented Spanish factions to combine against him. DeGaulle, to achieve power, must take the initiative himself. Seeing that his political prospects were fading in proportion to Schuman's success, he has already sought identification with the Schuman Government, without result. Realizing, after the Italian election, that he must break in at once or forego his ambitions, he may well upset an otherwise favorable political situation in France.

S E C R E T

2

S E C R E T

2. DEVELOPMENT OF EUROPEAN DEFENSE.

The signatories of the Brussels Pact and possible adherents show extreme caution in their approach to the problem of Western European defense and a continuing tendency to regard it piecemeal. The United Kingdom considers the creation of an effective military system prerequisite to any further extension of commitments. The Benelux countries are unwilling to commit themselves to the defense of distant Italy. On this account France suggests the possibility of three regional defense systems, Western, Mediterranean, and Scandinavian. Sweden continues to cling to neutrality. Italy, however, would accept the obligations of the Brussels Pact if permitted to rearm by revision of the peace treaty. (If still disarmed Italy would of course hope to remain aloof from any conflict in northern Europe.)

These attitudes are a natural consequence of the actual military weakness of the nations concerned and of their uncertainty regarding both the will and the ability of the United States to participate in their defense. The security of the West is manifestly indivisible, but it is equally apparent that only US leadership and effective support can bring about the development of an integrated Western European defense system.

3. THE ANTI-COMMUNIST TREND IN ORGANIZED LABOR.

A revulsion of organized labor from Communist influence and control began with the political strikes in France and Italy last fall and has been sustained by continuing Communist attacks on the European recovery program. The outstanding manifestations of this trend have been the secession of the Workers' Force (FO) from the Communist-controlled French Confederation of Labor (CGT) and the establishment in London of a Trade Union Advisory Committee dedicated to support of the recovery program and representing organized labor in 15 of the 16 participating countries. The sixteenth country, Italy, has not been represented because the Communists and Nenni Socialists continued to control the Italian Confederation of Labor (CGIL). Now, in the aftermath of the Italian election, Nenni's leadership is under attack within the Socialist Party and the existing management of the CGIL is equally in jeopardy. The Communists may be able to retain nominal leadership of the CGIL and even to avert a major secession such as that of the FO from the CGT, but their actual control is neutralized for the time being, inasmuch as a call to an obviously political program of strikes would certainly precipitate their repudiation. Thus in Italy, as elsewhere in Western Europe, the Communists' power to call a paralyzing general strike, which was yesteryear their most formidable weapon, has now been lost.

This trend is apparent even in Berlin, where anti-Communists won control of important unions in recent local elections and are now daring to seek control of the city-wide federation (FDGB).

4. PROBABLE SOVIET INTENTIONS.

However greatly Soviet propaganda may scorn the "bread and butter election" in Italy, the Kremlin must by now realize that uncompromising attack on the European

S E C R E T

3

S E C R E T

recovery program has only served to antagonize European workers. There is reason to suppose that the Kremlin would regard Communist loss of influence and control in organized labor as far more important than any electoral reverse. It must therefore be a primary objective of current Soviet policy to regain the confidence of the workers. This purpose would require abstention from political strikes and violence, and from threats of economic disruption or war.

This thesis is supported by such current indications of Soviet policy as (a) the new pretension of the Cominform to speak, not only for Communism, but for all workers' parties—a reversal of its previously bitter attitude toward Socialism; and (b) a speech by Thorez, the French Communist leader, calling on Communists, Socialists, and Catholics to unite in defense of French liberty and independence (against US "imperialism"). There are other indications of reversion toward the popular front technique and of a shift in emphasis from political purposes to the concrete daily problems of the workers and petty *bourgeoisie*. There may well be further resort to strikes, covertly to hinder the European recovery program, but they will be ostensibly economic in motivation. The May Day slogan for this year—"Struggle for a stable, democratic peace, against aggression"—calls for resistance to Western "imperialist warmongering," but, in the Communist vocabulary, its tone is defensive. It recognizes the universal longing for peace and stability. Even in international relations the USSR may adopt a pose of conciliatory and constructive reasonableness, as in its treaty with Finland, in the negotiations concerning Austria, and at the current session of the Economic Commission for Europe.

If the requirements of the current situation preclude aggressive tactics in Western Europe, Soviet initiative is restricted to Germany, Greece, and the East. Soviet policy in Germany appears to be directed toward long-range objectives rather than toward an immediate and violent decision. Soviet initiative in Greece is apparently in abeyance. But in the East the situation is more threatening. The USSR will almost certainly penetrate into Palestine as champion of the Jewish state. It is subjecting Iran to strong pressure. It has created in Korea a political situation highly favorable to its purposes. In China it now has diplomatic as well as military opportunities.

Despite the increasing prospects of European stabilization and US rearmament, the USSR is still far from having to choose between a general settlement and preventive war (CIA 4-48, p. 2). The strength of the Western European defense system is as yet unimpressive; the rearmament of the United States is still a disputed long-range project. The Kremlin as yet has no reason to conclude that in either case a dangerous development is inevitable.

PARTICULAR SITUATIONS IN EUROPE

5. THE UNITED KINGDOM.

British efforts to increase industrial production and exports were remarkably successful during the first quarter of 1948. The export volume for March was higher than

S E C R E T

4

SECRET

that for any previous month except July 1920. This achievement is offset, however, by an unexpectedly high volume of import requirements and by the fact that the costs of essential imports are increasing faster than the prices obtainable for British exports. The British trade deficit therefore continues to be alarmingly high.

6. FRANCE.

The current political situation in France is relatively stable; the long-range economic prospects are good. The immediate problem of the Schuman Government is that of holding the wage line until food prices decline as a result of more plentiful supply in early summer. In view of the Government's success to date in achieving a slight decline in food prices, non-Communist labor leaders have agreed to withhold demands for wage increases. As long, however, as 80 percent of the average worker's income must be spent for food, Communist agitators may succeed in fomenting wage demands and consequent strikes of an ostensibly economic character.

7. SCANDINAVIA.

The tendency of Norway and Denmark toward alignment with the West continues, but Norwegian and Danish officials are fearful of Soviet retaliation and anxious to receive positive assurances of Western military support. The Swedish Government clings to its policy of neutrality, but a recent Gallup Poll indicates that 64 percent of the people believe that Sweden would become involved in any major war and that only 20 percent believe that Sweden should remain neutral. High military and other influential elements in Sweden are opposed to a policy of neutrality, fearing that isolation will invite Soviet aggression.

8. GERMANY.

Public tension regarding Berlin has eased, but the situation there has not improved. Further gradual tightening of Soviet restrictions on the position of the Western Powers in Berlin is to be anticipated.

Meanwhile Soviet preparations for the establishment of a German government in the Soviet Zone continue to develop. In an effort to exploit the universal German aspiration toward national unity, the Soviet-controlled People's Congress in Berlin has called for a country-wide plebiscite on that subject. No serious response is to be expected in the Western Zones in view of Allied disapproval and German skepticism regarding Soviet initiatives. By pressing the issue, however, the USSR is enabled to pose as the sole champion of German unity in the face of Western imperialist, anti-democratic opposition. Eventually it will claim that its German government in the Soviet Zone, based on the People's Congress, is actually representative of all the German people.

9. AUSTRIA.

For some time it has been apparent that the USSR really desires to reach quadripartite agreement on a treaty with Austria. This attitude, so greatly at variance with

SECRET

5

S E C R E T

that shown generally, presumably reflects no change in Soviet purposes, but rather a tactical conclusion that nothing further can be accomplished in Austria on a basis of quadripartite occupation and that a mutual withdrawal of occupation forces would present new opportunities for Soviet maneuver toward the ultimate objective of reducing Austria to the status of a satellite state. Moreover, the elimination of the zonal division of Austria would have obvious psychological effect in support of the Soviet line on the unification of Germany.

10. ITALY.

Although it had been apparent that the political trend in Italy had been reversed (CIA 4-48), the extent of the Christian Democratic victory exceeded all expectations. The Italian Communist Party itself apparently anticipated a close vote and prepared to assert with armed force a claim to have been counted out. Such a pretension was rendered absurd by the anti-Communist sweep and the assembled partisans accordingly dispersed.

The Christian Democrats, with 49 percent of the popular vote (as compared with 37 percent in 1946), received a clear majority (307 out of 574 seats) in the Chamber of Deputies. In general this gain was accomplished, not by the conversion of former Leftists, but by the expedient adherence of Rightist elements. The Rightist parties, as such, made a poor showing and may now be regarded as of minor importance. The increase of Rightist influences within the Christian Democratic Party, however, may be of long-term significance. Already DeGasperi has been subjected to pressure to abandon his coalition with the moderate Left and establish a one-party cabinet.

Consolidation of the anti-Communist victory in Italy requires the actual implementation of extensive economic and social reforms which may well be opposed by the right wing of the Christian Democrats as presently constituted. Only the continued participation of the moderate Socialists and Republicans in the Government would give reasonable assurance of its serious intention to accomplish these reforms. DeGasperi has wisely decided to maintain this coalition, which jointly represents 58 percent of the electorate and a majority of 62 in the Chamber.

Despite its defeat, the Italian Communist Party remains formidable in terms of popular support, para-military capabilities, and control of organized labor. During this period of post-election disillusionment the Communist management has to contend with ferment within its controlled auxiliaries, the Socialist Party and the Confederation of Labor, and threats of defection therefrom by dissident elements. This situation imposes upon it, for the time being, a necessity to follow a conciliatory and reassuring policy. The immediate Communist objective must be to maintain the Party's position as spokesman for the mass of Italian workers, and this can possibly be accomplished by such astute management as the Party leadership has shown in the past. The Communists would thus retain a capability to exploit any failure on the part of the Government actually to bring about the amelioration of conditions that the Italian people have been led to expect.

S E C R E T

6

S E C R E T

THE NEAR AND MIDDLE EAST

11. GREECE.

Satellite aid to Markos has been on a lesser scale than apparent preparations would have allowed, with a consequent lessening of anticipated guerrilla capabilities. This default must be attributed to Soviet caution in the face of global developments. It has caused misgiving in the Markos camp, where it is now realized that the USSR's purpose in Greece may not have been to bring Markos to power, but only to use the Greek Communists as a means of imposing economic attrition on the United States. In these circumstances the Greek Army has achieved some initial successes against the guerrillas. Eventually the USSR may be compelled to provide greater support for the guerrillas or to accept their defeat. The USSR retains the capability to provide, through the Satellites, support sufficient to prevent a military decision in Greece, and will presumably exercise that capability unless there is a general revision of Soviet policy in consequence of developments outside of Greece.

12. PALESTINE.

Civil war on a major scale is already in progress; early intervention by the regular armies of the Arab States is highly probable. Jewish forces, assuming the offensive in order to improve their position in anticipation of unlimited hostilities after 15 May, have demonstrated their initial superiority over local Arab resistance and ill-organized volunteers. This demonstration, while stimulating Zionist self-confidence, has equally stimulated Arab determination to prevent the establishment of a Jewish state in Palestine and aroused a popular demand for effective intervention such as no Arab government can resist. Cooperation among the Arab States is hindered by mutual suspicions and by the reluctance of some, notably Egypt and Iraq, to commit their forces abroad in the face of unstable situations at home. Nevertheless public clamor will probably compel them to commit forces in Palestine coincident with the termination of the British mandate.

The termination of the mandate will also open the way to unlimited Jewish immigration and to the importation of heavier armament. There is every reason to suppose that the USSR will actively support the Jewish state, infiltrating Soviet personnel into Palestine and seeking to establish there a lodgment in the Eastern Mediterranean.

13. IRAN.

Under continuing Soviet pressure, the Iranian Government evinces a disposition to placate the USSR by seeking to curtail the authority of the US Gendarmerie Mission and by reiterating its claim to Bahrein. There is also mounting agitation in the Majlis for revision of the Anglo-Iranian Oil Company concession.

Qavam's return to Tehran will probably result in a renewal of the struggle for power between him and the Shah, and may hasten the fall of the ineffectual Hakimi Government. This internal tension may further impair Iranian ability to resist Soviet pressure.

S E C R E T

7

S E C R E T

14. KASHMIR.

Although responsible leaders of India and Pakistan have recently shown a disposition to cooperate in most matters of mutual concern, the Kashmir dispute remains unresolved. Indications are that the Indian Army may soon resume active operations in Kashmir and that Pakistani tribesmen, whom the Government of Pakistan cannot control, will go to the aid of their coreligionists. Thus the situation in Kashmir continues to endanger peace and order in India-Pakistan.

THE FAR EAST

15. CHINA.

The National Assembly's re-election of Chiang Kai-shek to the presidency of China was a recognition of his present indispensability, but its rejection of his choice for vice-president and election of Li Tsung-jen to that office was a rebuke to his tendency toward personal rule and a repudiation of his reactionary associates in the CC clique party machine and the Whampoa military clique. Thus Li emerges as the representative of discontent among the Kuomintang rank and file and the independents (including probably a majority of the civil servants and army officers) who demand a more liberal, efficient, and vigorous national leadership. By misguided and stubborn resistance to Li's election Chiang has lost face. If, as seems probable, he refuses to collaborate with Li, conflict between these two strong personalities is to be expected, with consequent disintegrative effect within Nationalist China.

Meanwhile the Chinese Communist armies are ready to renew offensive operations in Manchuria and elsewhere, and the new Soviet Ambassador is on his way to Nanking, where he may resume discussion of a political settlement of the civil war. As the Nationalist position deteriorates this solution may prove more attractive to various elements who now have in Li a potential leader with whom the Communists might be willing to negotiate.

16. KOREA.

Action by the Soviet-inspired conference of North and South Korean political leaders at Pyongyang was limited to pronouncements condemning the South Korean election, demanding the withdrawal of all foreign troops, and favoring Korean action to establish a united and independent Korean state. How this last should be done was plainly indicated by the separate but timely adoption of a Soviet-type draft constitution for all Korea by the North Korean People's Council, subject to final action by a future all-Korean convention.

The expected landslide for the Rhee Syngman political machine in the South Korean election will not insure political stability in that area. Rhee will probably be compelled to include in his administration representatives of the wealthy and powerful Hankook Democrats and others not under his direct control. Rhee's sense of mission is such, however, that he cannot be expected to work harmoniously in any coalition.

S E C R E T

8

S E C R E T

Moreover, continued bitter opposition is to be expected from those who, under Soviet influence, boycotted the election.

The USSR may be expected to denounce as unrepresentative any regime based on the election and to reiterate its demand for a mutual withdrawal of occupation forces in order to permit the Koreans to frame a democratic constitution in unity and independence.

17. THE PHILIPPINES.

Since the sudden death of President Roxas political activity has centered in the developing candidacy of José Laurel with respect to the presidential election in 1949. Laurel, who was president of the Japanese-sponsored Philippine government, is an ardent and opportunistic nationalist. His eventual succession to the Philippine presidency could hardly be regarded as favorable for US interests.

18. BURMA.

The Burmese Communists have begun widespread insurrectionary activities which the Government may be unable to combat effectively for several months on account of the onset of the monsoon during May. By the end of the monsoon the Communists may have become too well established in central Burma to be readily suppressed.

LATIN AMERICA

19. THE BOGOTA CONFERENCE.

The achievement of the Conference, in continuing its sessions and reaching compromise agreement on the major subjects before it, tends to obscure the profound differences which actually exist between the United States and the Latin American republics and the difficulty of winning Latin American understanding and support of US policies framed with reference to the global situation. For example, the "Organic Pact," which was intended to provide a more effective regional organization, was so weakened by compromises as merely to confirm existing procedures. The economic discussions emphasized without solving the basic contradiction between the US desire to encourage private investment in Latin America and the Latin American preference for governmental "grants-in-aid" which, with freedom to institute highly nationalistic developmental policies, would in effect subsidize incumbent governments and facilitate their retention of power in the face of increasing economic tensions within their own countries.

20. THE BOGOTA UPRISING.

The disturbances which interrupted the Bogotá Conference are more properly attributable to the basic political and economic tensions prevalent in Latin America than to international Communist conspiracy. Without question the Communists were conspiring to embarrass and discredit the Conference, and they were quick to seize the

S E C R E T

9

S E C R E T

opportunity afforded by the outbreak of violence. That outbreak, however, was clearly the spontaneous reaction of Liberal partisans, already on edge as a result of acute political tension and party violence, to an assassination no doubt erroneously attributed to the Conservative Government.

Although the popular reaction at Bogotá was to a distinctly local situation, the basic conditions which made so violent an outbreak possible are widespread in Latin America. At Bogotá the Communists may have discovered a technique which might be employed deliberately and with greater effect on other occasions.

21. INSTABILITY ELSEWHERE.

Mexico. There have been recent indications of increasing dissatisfaction with the Alemán Government and of increasing legal and illegal arms traffic into Mexico. Although the ultimate destination of the arms in question may be Palestine or some other trouble spot, the conjunction of these two developments may be ominous.

The Caribbean. Political stability in the Caribbean is jeopardized by the existence of mutually hostile alignments (Nicaragua, Honduras, and the Dominican Republic versus Guatemala, Cuba, and Venezuela). The recent civil war in Costa Rica, local in origin, became essentially a contest between these antagonists as represented by Nicaragua and Guatemala. Nicaraguan and Dominican exiles may now set out to "get" Somoza and Trujillo with the covert support of interested governments. In turn, Somoza and Trujillo may be expected to engage in counter plots.

Panama. Arnulfo Arias, who was expelled from the presidency in 1942 because of his pro-Nazi attitude, is claiming victory in the 9 May presidential election. If he fails to win office through election he may attempt to seize it by force.

Ecuador. General Alberto Enriquez may attempt to seize the presidency if he considers himself unlikely to win the 6 June election, or if he is actually defeated at the polls.

Peru. Tension exists between an exclusively military cabinet and the most popular political party, APRA. The Congress, through which the policies of APRA might find expression, was prevented from meeting by a "strike" of conservative members, preventing a quorum. Either side might resort to force to break the deadlock.

Chile. The Government, with military support, currently has the situation under control, but economic grievances provide a genuine basis for popular unrest.

Paraguay. An arch-reactionary faction is scheduled to take office in August as a result of chicanery resented even by most of those who supported the Government in the late civil war. However, the attitude of the Army, which will be the deciding factor, is still in doubt.

The Communists are not a major factor in any of the foregoing situations. They are capable of exploiting fortuitous developments, as recently in Costa Rica, where they in effect took over the cause of the Government against the revolution. In no Latin American country, however, is the Communist Party capable of seizing and holding office, nor have the Communists any apparent intention of making such an attempt.

S E C R E T

10

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